

# **AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL ON RANDFONTEIN LOCAL MUNICIPALITY**

## **REPORT ON THE FINANCIAL STATEMENTS**

### **Introduction**

1. I have audited the accompanying financial statements of the Randfontein Local Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages ... to ....

### **Accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor-General's responsibility**

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), and section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Randfontein Local Municipality for the year ended 30 June 2010 and its financial performance and its cash flows for the year then ended, in accordance with SA Standards of GRAP and in the manner required by the MFMA.

#### **Emphasis of matters**

8. I draw attention to the matters below. My opinion is not modified in respect of these matters:

#### **Restatement of corresponding figures**

9. As disclosed in note 46 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of an error discovered during the year of current balance sheet date in the financial statements of the Randfontein Local Municipality at, and for the year ended, 30 June 2009.

#### **Material losses**

10. As disclosed in note 30 to the financial statements, material losses to the amount of R22 350 565 and R3 311 263 were incurred as a result of electricity and water losses respectively.

#### **Material under spending of conditional grants**

11. As disclosed in note 16 to the financial statements, the municipality has materially under spent on conditional grants to the amount of R39 693 310. The material under spending occurred mainly on the Municipal Infrastructure Grant, the national grant for various projects and the grant in respect of the farm Elandsfontein.

#### **Additional matter**

12. I draw attention to the matter below. My opinion is not modified in respect of this matter:

#### **Unaudited supplementary schedules**

13. The supplementary information set out on pages XX to XX does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

14. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations MFMA.

### **Predetermined objectives**

15. There were no material findings on the report on predetermined objectives as set out on pages .... to ....

### **Compliance with laws and regulations**

#### **Municipal Finance Management Act, 2003**

##### **Late submission of the annual financial statements**

16. Contrary to the requirements of section 126(1) (a) of the MFMA, the accounting officer of the municipality did not submit the annual financial statement to the Auditor-General of South Africa within two months after the end of the financial year.

##### **Accounting officers and municipal officials have not adhered to their statutory responsibilities**

17. Contrary to the requirements set out in section 71 of the MFMA, the accounting officer submitted the November 2009 and January 2010 budget reports to provincial treasury after the date required by legislation.
18. Contrary to the requirements set out in section 72 of the MFMA, the accounting officer did not submit the Service Delivery Budget Implementation Plan (SDBIP) as the budget report for the first six months of the year.

##### **Financial statements were subject to material misstatements**

19. Contrary to the requirements of section 122 (1) of the MFMA, the municipality did not prepare financial statements in accordance with the legislative requirements as the financial statements submitted for audit on 2 September 2010 did not fairly present the state of affairs of the municipality as there were material amendments made to assets, provisions, equity and liabilities arising from the audit.

## **INTERNAL CONTROL**

20. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA, but not for the purpose

of expressing an opinion on the effectiveness of internal control.

21. The matters reported below are limited to the findings on compliance with laws and regulations.

- **Leadership**

The accounting officer did not exercise oversight responsibility over reporting and compliance with laws and regulations and internal control by:

- Submitting the November 2009 and January 2010 budget reports to provincial treasury after the date required by legislation.
- Submitting the SDBIP to Gauteng Department of Finance: Treasury Division as a section 72 report.

- **Financial and performance management**

The financial statements were subject to material amendments resulting from the audit.

The annual financial statements were not submitted for auditing on the legislated deadline.

*Auditor-General*

Johannesburg

29 November 2010



AUDITOR - GENERAL  
SOUTH AFRICA

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